

LOAN PROGRAM DISCLOSURE

PICK-A-PAYMENTSM EQUITY BUILDERSM LOAN

BIWEEKLY ADJUSTABLE RATE MORTGAGE GDW AVERAGE DEPOSIT ACCOUNT RATE (COST OF SAVINGS) INDEX (COSI)

This disclosure describes in a question-and-answer format important features of the **Pick-a-PaymentSM Equity BuilderSM Loan** Program you are considering. Federal Reserve Regulation Z and the rules and regulations of the federal Office of Thrift Supervision require that World give this disclosure to you. This disclosure is accurate as of the date of printing. However, World reserves the right to make subsequent changes to it at any time regarding any matter it covers. Such changes may occur because of changes in policy, law or regulation or for any other reason. Some terms of loans on non-owner occupied properties may be different from those described in this disclosure. If you are considering a loan on a non-owner occupied property, please ask a Loan Representative about the differences.

WHAT DOES BIWEEKLY MEAN?

The term biweekly means mortgage payments are due every two weeks instead of once a month. Each year there are 26 biweekly payments. This is the equivalent of 13 monthly payments.

CAN THE INTEREST RATE AND PAYMENT AMOUNT CHANGE?

Yes. Movement of an index causes the interest rate and payment amount to change. An index is an independent measure of interest rate activity.

WHAT IS THE INDEX?

The index for this loan is the weighted average of the rates of interest on the deposit accounts (sometimes called **cost of savings**) of the federally insured depository institution subsidiaries of Golden West Financial Corporation ("COSI" or "Index"). Golden West Financial Corporation is a holding company listed on the New York Stock Exchange under the trading symbol "GDW." All of the depository institution subsidiaries of GDW currently operate under the name World Savings.

The COSI consists of the weighted annualized rate of interest in effect on deposit accounts, adjusted for the effects of financial instruments related to deposit accounts and other adjustments determined by GDW in its sole discretion as appropriate to accurately reflect the weighted average of interest rates on the deposit accounts. It does not include accounts owned by GDW or its subsidiaries.

GDW computes the COSI as of the last day of each calendar month and announces it on or near the last business day prior to the fifteenth day of the following calendar month. For example, GDW announces the February COSI on or near the last business day prior to the fifteenth of March. It is in effect until the announcement of the March COSI in April.

WHERE CAN I GET INFORMATION ABOUT THE INDEX?

You can get information about the COSI by:

- writing to World Savings
P.O. Box 659558
San Antonio, Texas 78265-9558
Attn: Customer Service; or
- telephoning (800) 642-0257.

HOW DOES WORLD DETERMINE INTEREST RATE CHANGES?

World determines interest rate changes by adding an amount (margin) that is fixed for the life of the loan to the current index. The current index is the most recently announced COSI value available on the date of each interest rate change. Please ask for World's current margin and interest rate.

IS THE INITIAL INTEREST RATE BASED ON THE INDEX PLUS THE MARGIN?

Yes.

HOW IS THE INITIAL PAYMENT AMOUNT ESTABLISHED?

You select an initial payment amount from a range of payment amounts provided by World. The range includes a minimum and a maximum initial payment amount. The maximum initial payment will not fully amortize the loan at the initial interest rate. The initial payment amount you select may not be sufficient to pay the full amount of interest due at the initial interest rate. This will cause the loan amount to increase as described below in the section "How Does The Principal Balance Change?" Please ask for the range of initial payments for the loan you are considering. The biweekly payment amount is one-half the amount of a monthly payment for an equivalent 30-year loan.

HOW OFTEN CAN THE INTEREST RATE CHANGE?

Biweekly, beginning on the due date of the second regularly scheduled payment. However, since the index value changes only once each month, some biweekly payment cycles will not involve an interest rate change.

HOW OFTEN CAN THE PAYMENT CHANGE?

Annually. The payment can change every 26 payments beginning with the 27th payment. Each date on which the payment may change is a "Payment Change Date."

ARE THERE ANY LIMITS TO THE AMOUNT THE INTEREST RATE MAY CHANGE?

Yes. The maximum interest rate limit ("Lifetime Rate Cap") is between 2.000 and 8.000 percentage points over the initial index value plus margin. Please ask for World's current Lifetime Rate Cap.



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ARE THERE ANY LIMITS TO THE AMOUNT THAT PAYMENTS MAY CHANGE?

Yes. The biweekly payment cannot increase ("Payment Cap") more than 7-1/2% each year.

However,

- the Payment Cap does not apply on the 10th, 15th, 20th, 25th or final Payment Change Dates;
- the Payment Cap does not apply if the principal balance reaches the limits described in the section entitled "How Does the Principal Balance Change?".

HOW DOES WORLD DETERMINE PAYMENT AMOUNT CHANGES?

On each Payment Change Date, World determines a new biweekly payment by performing a calculation according to the steps that follow.

- (a) Using the original term of 360 months, the then current balance and Interest Rate; compute a monthly payment.
- (b) Divide the monthly payment amount determined in step (a) by two.
- (c) Using the figure determined in step (b), the then current balance and Interest Rate; compute a number of biweekly payments.
- (d) Subtract the number of biweekly payments already made from the number of biweekly payments computed in step (c) to determine the number of then remaining biweekly payments.
- (e) Using the number of remaining biweekly payments determined in step (d), the then current balance and Interest Rate; compute a new biweekly payment.
- (f) As applicable, decrease the biweekly payment amount determined in step (e) or increase it to the maximum permitted by the 7-1/2% Payment Cap.

HOW DO I MAKE MY BIWEEKLY PAYMENTS?

Loan payments are made through automatic withdrawals from your "Bank Account" at your bank, savings and loan, or other financial institution. Every other Monday, World will automatically debit your Bank Account for the amount of the mortgage payment then due. If you do not already have a Bank Account at a financial institution that is accessible by ACH (automated clearing house), then it will be necessary for you to open one and provide us with your Bank Account number before your loan closes. Please verify with your financial institution that your Bank Account is accessible by ACH.

You are responsible for ensuring that sufficient **available** funds are on deposit in your Bank Account to cover the amount of your biweekly mortgage payment. If there are insufficient **available** funds, your loan payment will not be made. It will be necessary for you to make the payment within 15 days after it was due by mailing it to an address specified by World.

Your Bank Account must remain open during the entire term of your biweekly loan.

UNDER WHAT CIRCUMSTANCES COULD THIS LOAN CONVERT TO A MONTHLY PAYMENT LOAN?

If there are two occasions in any 12-month period of insufficient available funds in your Bank Account to cover your biweekly mortgage payment when due or a total of four such occasions during the life of your loan, World will have a right, but not a duty, to convert your biweekly payment loan to a monthly payment loan **without any prior notice**. If this occurs, World may charge you our then current conversion fee and will send you notice of your new monthly payment amount and due date **after** the conversion.

If World converts your biweekly loan to a monthly payment loan, your new monthly payment **will not** automatically be withdrawn from your Bank Account.

HOW WOULD WORLD CALCULATE MY MONTHLY PAYMENT AFTER CONVERSION?

If your loan converted from biweekly to monthly payments, World would calculate a monthly payment sufficient to repay your then unpaid principal balance at the interest rate then in effect in substantially equal monthly installments over the remaining term of the loan.

The Payment Cap would not apply at the time your loan converted to monthly payments. The monthly payment would be subject to annual changes based on changes in the interest rate as previously described in this disclosure.

HOW DOES THE PRINCIPAL BALANCE CHANGE?

The principal balance (loan amount) can change biweekly.

When the biweekly payment is more than sufficient to pay the full amount of interest due, World subtracts the amount that exceeds the interest due from the principal balance, resulting in a principal reduction.

At various times during the life of your loan the biweekly payment may not be sufficient to pay the full amount of interest due. This can occur if the initial payment amount that you select is less than the full amount of interest due. This can also result from increases in the interest rate prior to the Payment Change Date or from a biweekly payment that did not increase sufficiently to pay the full amount of interest due, because of the 7-1/2% Payment Cap.

The principal balance may never exceed:

- 125% of the original principal balance amount for a loan that had an original loan amount of 85% or less of the property's appraised value or sales price (whichever is less); or
- 110% of the original principal balance amount for a loan that had an original loan amount greater than 85% of the property's appraised value or sales price (whichever is less).

If Deferred Interest caused the principal balance to reach these limits, World would immediately increase the payment without regard to the Payment Cap. The increased payment would pay off the loan at the then current interest rate over the remaining term.

WHAT ARE THE INITIAL AND MAXIMUM INTEREST RATES AND PAYMENTS FOR A \$10,000 LOAN ORIGINATED IN SEPTEMBER OF 2004?

	Initial payment selected*	Maximum payment and year in which maximum payment occurs**
Minimum initial payment	\$18.36	\$70.46 3th year
Maximum initial payment	\$25.67	\$72.14 4th year

* The initial interest rate in the examples is 4.610%, which reflects an Index value of 1.910% plus a margin of 2.700%. Your initial interest rate may be different.

** The maximum interest rate in these examples is 12.610%, which reflects a Lifetime Rate Cap of 8.000% over the initial Index value plus margin. Your Lifetime Rate Cap may be different.

Your biweekly payment can increase or decrease substantially based on changes in the interest rate.

HOW CAN I CALCULATE THE INITIAL PAYMENT FOR THE AMOUNT I PLAN TO BORROW?

To see what the initial payments would be:

step 1.. divide the amount you plan to borrow by \$10,000; and then

step 2.. multiply the resulting amount by the payment shown under the "Initial payment selected" column of the immediately previous question.

For example, the biweekly payment for a loan amount of \$120,000 would be:

step 1.. $\$120,000 \div \$10,000 = 12$
 step 2.. $12 \times \$18.36 = \underline{\$220.32}$ (minimum initial payment)
 or
 $12 \times \$25.67 = \underline{\$308.04}$ (maximum initial payment)

WHEN WILL I RECEIVE NOTICES OF CHANGES TO THE LOAN? WHAT INFORMATION WILL THEY INCLUDE?

World sends a written notice at least 25 days before each Payment Change Date. The notice includes information about the payment amount, interest rate and loan balance changes.

DOES THIS LOAN HAVE AN ASSUMPTION/DUE-ON-SALE PROVISION?

If at origination your loan is not secured by additional non-real estate collateral, World will give written approval

IMPORTANT - SIGNATURE

I have received a copy of this disclosure describing the **Pick-a-Payment Equity Builder Loan Program**. I understand that this disclosure is neither a commitment to make a loan nor a binding contract. The complete contractual terms and conditions of the loan are in the Note, Security Instrument, Modification(s) and Rider(s), if any.

 Print Name

 Property Address

 Signature

 Date

for a transfer (assumption) and the buyer (transferee) may assume your loan at its current interest rate provided:

- 1) the buyer meets World's then current credit standards;
- 2) the buyer makes a cash downpayment sufficient to meet World's then current underwriting standards;
- 3) World receives an assumption fee;
- 4) no previous transfer of the property has occurred since the original date of the loan;
- 5) you and the buyer sign all required assumption documents; and
- 6) the buyer has an ACH Bank Account, as described in the section entitled "How Do I Make My Biweekly Payments?"

The buyer might not receive the same Lifetime Rate Cap that you originally did. The buyer could receive a higher Lifetime Rate Cap based on then current market conditions.

If the loan program you are considering requires additional non-real estate collateral at the time of origination, the loan will not be assumable. You will receive additional information that will explain the loan program in greater detail.

Under certain circumstances, World could declare the entire outstanding loan amount immediately due and payable. Failure to pay could then result in the forced sale of the property securing the loan. This could occur:

- if there is more than one sale or transfer of the property; or
- if you sell or transfer the property to anyone without obtaining World's prior written consent.

DOES THIS LOAN HAVE A PREPAYMENT CHARGE PROVISION?

Some loan programs have a provision that requires that you pay a fee (a prepayment charge) if you make certain payments of principal before they are due (prepayments). Be sure to ask whether the loan program you are considering has a prepayment charge provision.

If the loan program you are considering does have a prepayment charge provision, you will receive several documents during the processing of your loan that explain the prepayment charge in detail.

HOW CAN I GET INFORMATION ABOUT WORLD'S OTHER LOAN PROGRAMS?

A Loan Representative will be happy to answer any questions you have and provide you with disclosures for other adjustable rate loan programs.